Another difficulty is—as the Member himself anticipated—that the Registrar will find it then rather hard to be in charge of the Treasury also. It is of course out of the question to ask the Magistrate to be in charge of the Treasury. He may have to go on circuit and we cannot foresee therefore when he would exactly be at the head-quarters. To issue a general order that the Magistrate may be in charge of the Treasury when there is the District Registrar available on the spot will be rather an imprudent act. There is therefore this aspect of the difficulty too even if buildings are available. However the Government have not dropped the question. They are still corresponding with the officers and trying to find out if the wishes of the Member could be satisfied, because there is some force that if the Magistrate's Court could be taken to the central block the public will be benefited to some extent. What the result of the correspondence will be cannot now be said. Therefore if the Member presses the motion, Government will be constrained to oppose it.

Mr. P. Kumaran Ezhuthassan.—On a point of information, may I know whether the Government have received a report to the effect that the present Registrar's Office is sufficient to accommodate the Magistrate's Court?

Rama Varmha Tampuran.—Government always speak on the basis of reports.

Mr. P. Kumaran Ezuthassan.—I do not press it.

The resolution was, with the leave of the House, withdrawn.

Statement by the Secretary to Diwan.

President.—Before we conclude, the Secretary will make a statement.

Rama Varmha Tampuran.—Sir, in deference to the wishes of the House I make bold to make a statement about the results of the recent visit of the States Committee to our State.

The States Committee, you know Sir, is one of the three important Committees appointed by the Prime Minister in his concluding speech of the second session of the Round Table Conference. The Right Hon'ble the Prime Minister then said that three committees, (1) Franchise Committee, (2) Facts Finding Committee and (3) States Committee will be appointed to go out to India and investigate further certain factors connected with the findings of the Conference. The Franchise Committee is still working in the different parts of India, but with its results we are not immediately concerned. The Facts Finding Committee and the States Committee have also come out and they are under a joint Chairmanship, but are to function separately. Their main efforts are to strike out the future budget, so to say, of the Federal Government.

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Hon'ble Members know that even at the first session of the Round Table Conference, the idea of federation was more or less definitely accepted. But then they could not go into important details. They were rather content with studying the federal, central and the provincial subjects. They were mainly concerned with the classification of subjects at the first session of the Conference. Of course they did some work by way of formulating the general details regarding the two Houses of the Federal Chamber, representation in these chambers, etc. But they were very very rough details. The one work they did was with regard to the classification of subjects.

At the second Round Table Conference held in last December, the work in the first Conference was carried on. The idea of federation gained more support in the meanwhile. And the second Conference appointed a very important sub-committee called the Finance Sub-Committee to go into the question of the federal finance, that had been left untouched by the first Conference, and yet is a subject of the greatest importance to any scheme of federation. Therefore they appointed a separate sub-committee, a very influential sub-committee to go into the matter. They sat in consultation and they issued a report called the Federal Finance Sub-Committee Report which is a very valuable report. They arrived at certain general conclusions which were accepted both by the States and the Provinces. Their general findings were that the federal finances should be met by indirect taxation. That is the principle of all federal constitutions and this one principle they also accepted. One example of an indirect taxation, is "customs", another one is "Imperial Excise Revenue," covering taxes on petrol, kerosine, silver and things like that. Such indirect taxes should contribute to the federal revenues and should be the mainstay of the federal budget. But when they worked out details they also found that for the time being to proceed on this assumption would be rather impracticable. For funds may not be forthcoming from these few sources to meet all the expenditure, the military and the non-military of the future federal Government. Therefore, though the general finding of the second session of the Round Table Conference, that indirect taxation will be the mainstay of the future federal Government, was generally accepted it was thought desirable that further work should be done to find out if the contribution from the Provinces not be continued. The Provinces, as every one of us knows, have very great objections in the matter and several complaints have been made from time to time. Any how, it was found almost certain that without provincial contributions no federal Government of India will be

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able to carry on for the next several years. If provincial contributions were to be insisted upon, naturally as a counterpart there should be some sort of contribution from the component Indian States as well. Of course, all the Indian States, almost all of them are paying tributes to the Imperial Indian Government. They thought that this may perhaps be continued as a sort of counter part to the provincial contributions. But the Princes as a whole have been continuously agitating against the imposition of tributes. Not only has it a feudal tinge about it, but for several reasons each of the States has been continuously asserting that it is not just, compared with the tendency of the times and the present state of affairs, and that it should be discontinued, with the least possible delay. There is also a great deal of force in this argument. Therefore, His Majesty's Government thought that a committee may go more thoroughly into the matter and investigate each aspect of the question, investigate the several circumstances pertaining to the tributes of each individual State and decide whether it is inequitous or not. In some States much more than 12% and in some cases even more than that is paid as tribute. It was definitely noted that not more than 5% should hereafter be levied from any State as tribute. Also the name 'tribute' was changed into 'cash contributions' to fit with the system of provincial contributions. This was fixed tentatively at a maximum of 5 per cent. Even to that the States objected and one of the items of reference to the new States Committee is therefore to enquire into the individual conditicns pertaining to each grant of tribute and report whether it is equitable or inequitous and whether it has to be modified or not. To complicate matters some of the States have given away lands in lieu of a portion of the tribute. They allege that this was not taken into account as a matter of fact when the final accounts were settled and that therefore a re-adjustment has to be made in view of the lands that they have given. This also was made another item of reference to the Committee. These are then the two main and important items of reference to the committee and if I remember right, the Prime Minister also declared that some definite decision regarding these points will be essential before the new federal Government is launched upon, because federal finances cannot possibly be found except through provincial contributions and unless there is something to counterbalance that by way of contributions from the State funds, there will naturally be injustice to the provinces. So the question of contribution from the States is a point that has to be decided immediately, before the new constitution is even framed.

Along with these two points, the present States Committee

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was also requested to report upon the concessions that some of the States are now enjoying. They term it 'concessions'. What they mean mainly are the revenue, that some States obtain from customs and salt. You know some of the maritime States of India are collecting their own customs, Travancore and Cochin are instances to the point. Many of the Kathiawar States are also instances. Baroda, Jamnagar aud several other States on the Coast have their own ports and customs revenue. I told you at the very outset that the accepted principle of the second session of the Round Table Conference was that indirect taxation should be the mainstay of the future federal finance. Now "customs" is an indirect tax. It is a tax on the goods and therefore constitute an indirect taxation. Then, if some of the States are going to have their own customs revenue, it means that to that extent they will not be contributing to the indirect taxation of the federal Government. Therefore, *prima facie*, there was a section of opinion that the customs of all the Indian States should be handed over to the new Federal Government. Of course, to this the States unanimously protested. Because they cannot get on without their "customs" revenue. As a sort of compromise, so to say, it was then suggested that some formula may be arrived at by which the federal Government will give compensation for the existing revenue from customs. And the committee has been asked to report whether a suitable formula could be framed and if it could be framed, which of the States will be willing to accept it.

Similarly with regard to the revenue from salt. In the matter of salt, the Cochin Government for example, is getting for themselves, so to say, the Imperial duties. They get salt from Bombay just at the cost price and they sell it in Cochin at the British cost price plus the transport charges from Bombay to Cochin plus the duty on salt that varies from year to year in British India. Therefore the net result is that Cochin gets the benefit of the Imperial duty on salt. Similarly there are other States as well. Now the Committee have been asked whether on this also a suitable formula of compensation cannot be framed.

So customs and salt—the two concessions—and the cash contribution from the States, the other item—these are the three important items referred to the States Committee. There is also the minor item whether the lands that have been given in lieu of tributes have really been taken into consideration. But in this we are not directly interested.

Our State had its positions tentatively fixed long before the Conference. We had our positions fixed upon all the possible

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points that might occur at the Round Table Conference and we along with others tried to protest against the continuance of tributes or the taking away of customs and salt concessions. In the speech of the delegate from Cochin and Travancore he also protested against the chance of a corporation tax being levied in the State in the name of the Federal Government. There was a proposal—if you go through the Finance Sub-Committees Report you will find that they suggested—that if even with the revenue from customs and salt and Provincial and State contributions the Central Government is not able to finance its budget, then the next source of revenue should be corporation tax. This is a super-tax on companies and might affect Cochin adversely Because Cochin is a commercial centre and likely to yield an increasing revenue from this source. Therefore the deligate from Cochin and Travancore had naturally to protest.

Similarly with regard to commercial stamps also. Stamps are further considered to be the symbol of sovereignty too. Therefore if stamps are given up to the Central Exchequer it might mean not only loss of revenue, but even a set back in the idea of quasi-independence of the Indian States. On these grounds this also was objected to. These two items are not seen referred to the States Committee. But they may find a place in the report of the Facts Finding Committee of the Conference.

The States Committee then came to Cochinand stayed here, as the Hon'ble Members know, for more than 10 days. They went through our points carefully. They took evidence from the Diwan on two occasions on all these important points by way of questions and answers. They also examined the Chief Engineer. The Excise Commissioner was also present. Thus our case has been very clearly and emphatically laid before them. A summary of that is in the Memorandum that was given to them and a copy of it every one of you must have read. Of course, it was after the presentation of the memorandum that further evidence was taken. I do not know what their views are at present. Whatever it be, we should certainly hope that we will have something by way of reduction in tributes, because as laid out clearly in the Memorandum, our tribute of 2 lakhs of rupees came about, so to say, by way of a series of accidents. It was at first 1 lakh and 40 thousand for one purpose plus a lakh of rupees for another purpose. The first amount was towards compensation for lands re-taken from Cochin's enemies of old and handed back to Cochin. The other amount represented the military contribution that the state had to give. Altogether it was 2 lakhs and 40 thousand about a 100 years ago. Then the Raja protested that it was too large

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an amount and on that, it was reduced to a lump 2 lakhs of rupees. No-body knows from which the 40 thousand is taken away, whether it is from the military contribution or the contribution for lands. From whatever it be, there is a strong case that at least that portion that is given in lieu of territories and which has now been paid continuously for over 150 years, should be done away with. Because the whole political situation is changing and quite novel set of ideas are coming into force. Also there is a suggestion that the military contribution that we are paying should be done away with, because we are already making our contributions by way of Imperial Excise Revenue. For example, we are consuming a good deal of Petrol and Kerosine and thereby adding to the federal indirect taxes. Cochin's view also with regard to the Customs has always been that she cannot give up the Customs Revenue, because her Budget, even with the Customs Revenue on, is only barely balanced. We do not know where we will be in the matter of expenditure after a few years. This is the only elastic source of revenue and if that be given up, the State may find itself very very difficult even to carry on the day to day administration, because the port will be developing and large sums will have to be spent by way of sanitation, by way of public improvement works and by way of starting new schools. I mean, population will increase in very great numbers, at least in the port areas and the areas that surround the port and that to meet their demands important development schemes may have to be taken up. That means money. Therefore it is necessary to retain the Customs Revenue at any cost. With regard to salt also, we have said that we cannot give it up. That is in short the position taken up by Cochin with regard to the States Committee. I do not know what their decisions and report will be. But anyhow the State will have, I think, another opportunity to press the matter if anything goes contrary to their wishes. In the meanwhile we can also watch what other States are doing and make a settlement which will not hamper Federation, but at the same time preserve the claims, economic and political, of the State.

Prorogation of the Council.

President:—I must thank all the Hon'ble Members for their kind support during this meeting of the Council. Now I prorogue the Council.

The House rose for the day at 1-25 P.M.

C. J. MATHEW,
Secretary to the Council.

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